



CHRISTOPHER NEWPORT UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2013

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

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AUDIT SUMMARY

We have audited the basic financial statements of Christopher Newport University as of and for the year ended June 30, 2013, and issued our report thereon, dated June 17, 2014. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.cnu.edu. Our audit of the University found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement and found an internal control finding and an instance of noncompliance requiring management's attention in relation to this testing.

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AUDIT FINDING AND RECOMMENDATION

Improve Management of Return of Title IV Funds

Christopher Newport University did not properly calculate and return Title IV funds for student withdrawals. The Office of Financial Aid did not use the correct number of days in the spring 2013 semester to calculate the unearned portion of Title IV funds for official and unofficial withdrawals. This resulted in a miscalculation of five out of 20 calculations (25 percent) and caused an underpayment to the U.S. Department of Education in the amount of \$408 and an overpayment of \$426. In addition, for two of four unofficial withdrawals (50 percent), the University failed to perform a return of Title IV calculation and promptly return \$694 to the U.S. Department of Education.

Code of Federal Regulations, 34 CFR 668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the Title IV funds within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn. Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs.

We recommend that management ensure each staff member involved in the Title IV process is fully trained on the federal requirements. In addition, the Office of Financial Aid should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes. As this calculation is an automated procedure processed through the student information system, it is important the University ensures the system is properly calculating the amount of aid earned. Further, the Office of Financial Aid should review all student withdrawals from the spring 2013 semester and recalculate amounts to be returned to or reimbursed by the U.S. Department of Education.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 17, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Christopher Newport University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Christopher Newport University** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 17, 2014. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting entitled "Improve Management of Return of Title IV Funds," which is described in the section titled "Audit Finding and Recommendation" that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the section titled "Audit Finding and Recommendation" in the finding entitled "Improve Management of Return of Title IV Funds."

The University's Response to Findings

We discussed this report with management at an exit conference held on June 16, 2014. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The University has taken adequate corrective action with respect to the audit finding reported in the prior year.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

SAH/clj



June 10, 2014

Martha S. Mavredes, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

Christopher Newport University has reviewed the findings and recommendations provided by the Auditor of Public Accounts for fiscal year ended June 30, 2013. The University appreciates the effort and hard work the APA auditors put towards the audit this year and has the following response to the Internal Control and Compliance Matter:

Internal Control and Compliance Matters

Improve Management Return of Title IV funds

The University has corrected all previous calculations related to Return of Title IV funds and will ensure that all subsequent calculations are correct and staff are trained appropriately.

Sincerely,

A handwritten signature in blue ink, reading 'William L. Brauer'.

William L. Brauer
Executive Vice-President

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Newport News, Virginia

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